

Message Text

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PAGE 01 MONTEV 03065 102118Z

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ACTION ARA-20

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SUBJ: GOU HIGH-LEVEL MEETING II

REF: UKL MMH A-131; B) MVD 3040

1. SUMMARY. SECOND GOU HIGH-LEVEL MEETING, STILL IN PROGRESS AT HOTEL NIRVANA IN COLONIA SUIZA, HAS ALREADY PRODUCED SIGNIFICANT NEW POLICY DIRECTIVES IN AREAS OF SOCIAL SECURITY REFORM AND BANKING. OTHER POLICY STATEMENTS ISSUED ON HEALTH AND HEALTH AND EDUCATION.

2. SOCIAL SECURITY REFORM MEASURE MOST IMPORTANT DECISION REACHED SO FAR AT COLONIA SUIZA; STATEMENT CALLS FOR DRAFT LAW TO BE PRESENTED TO PRESIDENT WITHIN NINETY DAYS FOR COMPLETE REFORM OF SYSTEM. EIGHTEEN-POINT LIST OF GUIDELINES FOR DRAFTING OF LAW INCLUDE:

A) UNIFICATION OF ALL SOCIAL SECURITY BENEFIT SYSTEMS TO ELIMINATE DUPLICATION OF BENEFITS AND ENSURE THAT PERSONS IN EQUAL SITUATIONS RECEIVE EQUAL BENEFITS.

UNCLASSIFIED

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PAGE 02 MONTEV 03065 102118Z

B) ESTABLISHMENT OF "REASONABLE" MINIMUM AGES FOR RETIREMENT.

C) UNIFICATION OF ALL GOVERNMENT UNEMPLOYMENT-BENEFITS SYSTEMS AND CREATION OF EMPLOYMENT AGENCIES TO LOCATE JOB OPPORTUNITIES FOR UNEMPLOYED.

D) REVISION OF SURVIVORS, DISABILITY AND OTHER MISCELLANEOUS BENEFITS SO THAT BENEFITS SERVE ONLY REAL NEEDS OF RECIPIENTS.

E) ESTABLISHMENT OF MAXIMUM PENSION AMOUNTS.

3. AGREEMENT ON BANKING REFORM ESTABLISHES CENTRAL BANK AS CONTROLLING AUTHORITY FOR BANKING SYSTEM, INCLUDING BANK OF REPUBLIC. PROPOSED ORGANIC LAW FOR CENTRAL BANK IS TO BE DRAFTED WITHIN 60 DAYS. BANK OF REPUBLIC IS TO BE REORGANIZED INTO FOUR DEPARTMENTS: FOREIGN COMMERCE; COMMERCIAL; LONG-TERM DEVELOPMENT LENDING, AND SOCIAL CREDIT. LATTER DEPARTMENT WILL ABSORB ALL FUNCTIONS OF NATIONAL POSTAL SAVINGS BANK. PRIVATE BANKS, INCLUDING BRANCHES OF FOREIGN BANKS, TO CONTINUE TO OPERATE WITH SHORT AND MEDIUM TERM CREDIT AND ARE TO BE ASSURED OF NON-DISCRIMINATORY TREATMENT.

4. DECISIONS IN HEALTH FIELD INCLUDE IMPLEMENTATION OF NATIONAL HEALTH INSURANCE PLAN WITH PARTICIPATION OF PRIVATE SECTOR, AND COORDINATION AND CONTROL OF EXISTING OVERLAPPING HEALTH ACTIVITIES. SECTORAL PLAN IS TO BE PREPARED WITHIN 120 DAYS. EDUCATION PLAN CALLS FOR COORDINATION OF PRIMARY, SECONDARY AND HIGHER EDUCATIONAL ACTIVITIES, AND INDICATES AN INTEREST IN ESTABLISHMENT OF PRIVATE UNIVERSITIES.

5. COMMENT: SOCIAL SECURITY REFORM GUIDELINES ARE CLEARLY MAJOR STEP BY GOV. GUIDELINES ARE SUFFICIENTLY SPECIFIC, AND PROPOSED REFORMS MEET ESSENTIALLY ALL REQUIREMENTS FOR RESTRUCTURING OF SYSTEM. UNOFFICIAL REPORTS INDICATE THAT REFORM WILL EXCLUDE YOUNG MOTHERS AND FIRED EMPLOYEES FROM PERMANENT BENEFITS, AND GIVE MAXIMUM PENSIONS ONLY TO THOSE OVER 60 YEARS OLD WHO HAVE 40 YEARS OF WORK EXPERIENCE. BANKING REFORM DECISIONS REPRESENT AN IMPORTANT STEP TOWARD RATIONALIZING SYSTEM, BUT THE EFFECTS OF REFORM WILL DEPEND TO LARGE DEGREE ON IMPACT ON INTERNAL OPERATION OF BANK OF REPUBLIC. STATEMENT UNCLASSIFIED

UNCLASSIFIED

PAGE 03 MONTEV 03065 102118Z

INCLUDES PROVISION FOR EVENTUAL REMOVAL OF DEVELOPMENT LENDING DEPARTMENT FROM BANK OF REPUBLIC SHOULD INTERNAL REORGANIZATION PROVE INADEQUATE.
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